

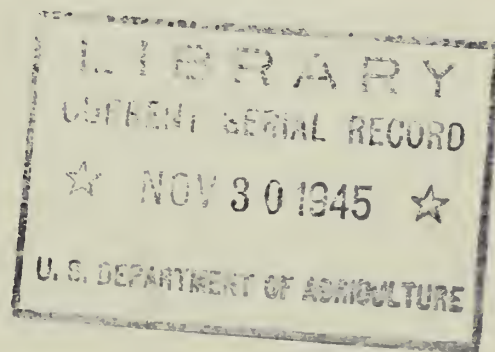
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Cooperative Seed Marketing

BY THOMAS E. HALL



COOPERATIVE RESEARCH AND SERVICE DIVISION
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The Cooperative Research and Service Division conducts research studies and service activities relating to problems of management, organization, policies, merchandising, sales, costs, competition, and membership arising in connection with the cooperative marketing of agricultural products and the cooperative purchase of farm supplies and services; publishes the results of such studies, confers and advises with officials of farmers' cooperative associations; and cooperates with educational agencies, cooperative associations, and others in the dissemination of information relating to cooperative principles and practices.

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COOPERATIVE SEED MARKETING

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About 475 cooperatives in the United States provide a seed marketing service. Exact annual dollar volume for this service is not known, but it is only a small part of all seed marketed by the commercial seed industry. Gross service charges per dollar of sales in this industry are considerably higher than for a commodity like grain. Operations indicate net savings average higher per dollar of sales but the annual aggregate is small compared with grain, for example, due to small volume. Even so, their operations are of considerable importance to those farmers who have seed to sell.

Aside from the importance of cooperative seed marketing to those farmers who actually use the service, other seed growers benefit to the extent cooperative competition had been responsible for better service and reduced handling charges within the entire seed marketing industry. Thus, the importance of these associations' seed marketing services in the United States has greater significance than would be indicated by savings made from operating margins on actual volume marketed cooperatively.

Cooperatives direct seed marketing operations toward a higher net return for their grower members and patrons. They try to accomplish this objective in two ways:

First, by performing their operations efficiently, they can reduce service costs and increase savings made from the usual charges for the various marketing services.

Second, by establishing a reputation for utility value and dependability. Seeds that are most desirable to the farmer purchasing them command a little better price than the ordinary run of competitive seed sold.

Cooperatives generally are responsible for a better net return to seed growers in their respective trade territories. Their competition has been influential in reducing operating margins and in establishing more accurate grading and dockage practices. Thus, they have given some increase in return to both member and nonmember seed growers in the entire territory served.

In addition, substantial savings from operations under existing competitive margins have usually been possible. Some of the local associations simply assemble, weigh, grade, and sell only a small volume of seed to a processor. For those, the increased return to the grower has been small and their competitive influence of minor significance. On the other hand, some locals also process and distribute the seeds under their own brands to the wholesale or retail trade in addition to the above operations. They are the ones who are making substantial contributions to the price the farmer receives for his seed, directly from the standpoint of greater savings from operating margins, and indirectly as a more influential competitive factor in the seed marketing industry.

PURPOSE AND SOURCE OF INFORMATION

The information presented in this report is intended to be of value primarily to cooperative leaders who have had little contact or experience with seed marketing problems or operating practices. For this purpose, a general perspective is given of cooperative seed marketing objectives, development, problems, and general operating practices. Special emphasis and more detail is given regarding operating problems and practices, as it is believed that this information will be more useful to cooperative leaders actually interested in further development and improvement of cooperative seed marketing service.

Cooperatives operating seed marketing services furnished the information presented in this report. A majority of the associations listed in table 1 and located in figure 1 were visited during the course of the study. Operating problems and practices were discussed with the association's manager. Most of the information and statistical data were obtained directly from the associations at the time of these visits. In addition, a limited amount of information pertaining to other associations was obtained by letter and from the records of the Historical and Statistical Section of the Cooperative Research and Service Division of the Farm Credit Administration.



Figure 1.-Location of specialized seed marketing cooperatives and regional cooperatives with seed marketing service.

Table 1. - Names, addresses, and principal kinds of seed marketed by 23 specialized and 4 regional cooperatives.

Name	Address	Principal kind of seed
SPECIALIZED SEED MARKETING COOPERATIVES		
Alcona Seed Growers Association	Harrisville, Michigan	Alfalfa, clovers, vetch
Arrowhead Seed Growers Cooperative	Cook, Minnesota	Red and Alsike clover, alfalfa, timothy
Basin Seed Growers Association, Inc.	Tiffany, Colorado	Alfalfa, sweet clover
Blythe Alfalfa Growers Association	Blythe, California	Alfalfa and Bermuda grass
California Planting Cottonseed Distributors	Bakersfield, California	Certified and registered Acala cottonseed
Crites-Moscow Growers, Inc.	Moscow, Idaho	Peas to canners and freezer trade
Egyptian Seed Growers Exchange	Flora, Illinois	Red top, timothy
Grimm Alfalfa Seed Growers Association	Blackfoot, Idaho	Alfalfa, red clover
Illinois Onion Set Growers Exchange	South Holland, Illinois	Onion Sets
Josephine Growers Cooperative Exchange	Grants Pass, Oregon	Ladino clover, vetch, rye grass
Maine Potato Growers, Inc.	Presque Isle, Maine	Certified seed potatoes
Michigan Certified Seed Potato Growers	Cadillac, Michigan	Certified seed potatoes
Missouri Seed Growers Cooperative	Kansas City, Missouri	Kentucky blue grass

Table 1. - Continued

Name	Address	Principal kind of seed
Nebraska Certified Seed Potato Cooperatives	Alliance, Nebraska	Certified seed potatoes
New York Cooperative Seed Potato Association	Georgetown, New York	Certified seed potatoes
North Dakota Grimm Alfalfa Association	Fargo, North Dakota	Alfalfa, clovers, crested wheat grass, brome grass
Northern Farmers Cooperative Exchange	Williams, Minnesota	Alfalfa, clovers, timothy
Northern Montana Seed Growers Association	Glasgow, Montana	Wheat grasses, alfalfa, sweet clover
Northwestern Seed Growers, Inc.	Moscow, Idaho	Austrian and dry edible peas, clovers
Oasis Seed Plant	Oasis, Utah	Alfalfa, clover
Western Montana Cooperative Seed Growers' Association	Carlo, Montana	Red clover, alfalfa
Wyoming Pure Seed Growers, Inc.	Worland, Wyoming	Beans, alfalfa, clover
Yuma County Farmers Marketing Association	Yuma, Arizona	Alfalfa, Bermuda grass

REGIONAL COOPERATIVES MARKETING SEED

Farmers Cooperative Exchange	Statesville, North Carolina	Lespedeza
Land O'Lakes Creameries, Inc.	Thief River Falls, Minnesota	Sweet clover, other clovers, grasses
Pacific Supply Cooperative	Walla Walla, Washington	Clovers, vetches, grasses
Washington Cooperative Farmers' Association	Seattle, Washington	Vegetable seed

Operations of specialized seed marketing cooperatives and regionals with a seed marketing service will be emphasized in this report. These two groups generally do a more complete job of processing and merchandising. Some of the specialized associations have 20 years or more experience as a basis for their present operating policies and practices. The regionals' service provides the only opportunity for the specialization and refinement of cooperative processing and merchandising operations usually needed by local cooperatives. For these reasons it is thought that the emphasis placed on these two groups will best provide the most helpful information.

ECONOMIC AND NATURAL CONDITIONS AFFECTING CO-OP SEED MARKETING

The kind and extent of any seed marketing service and the stability of its operations are largely determined by the economic and natural conditions for seed production in any given territory. Before organizing new seed marketing services or expanding old ones, it is of paramount importance that a careful and practical appraisal of these conditions be made. Furthermore, these conditions are basic to an understanding of the development and current status of cooperative seed marketing services in the United States.

A great many factors may influence seed production and, indirectly, the nature of cooperative seed marketing operations. Those generally considered most important are:

1. Seeds are not an important cash crop for as many farmers as most of the crops produced from the use of seeds. For example, one farmer may produce enough hybrid corn seed from 100 acres to supply the needs of 200 farmers each planting 100 acres of hybrid corn for feed, milling, or other industrial purposes. Thus, a great many more farmers will need a marketing service for corn to be sold for these purposes than will need such a service for marketing hybrid seed corn.

2. Seeds are used in the same form in which they are produced. This makes it convenient for farmers to use their own or their neighbors' seed production, particularly for grain and other crops of which the seed is the part of the plant ordinarily harvested. This further limits the volume needed to be handled through commercial seed marketing channels.

3. The type of farm enterprise and the interest of the individual farmer influence seed production for a given farm community or region. A livestock farmer will probably prefer to use a crop for hay feed or pasture even if his land would produce a good seed crop. Moreover, he may not have farm machinery and other equipment available to harvest and properly care for a seed crop.

4. Probably the most important conditions influencing seed production and, indirectly, seed marketing, are weather, soil, insects, and plant disease. When these natural conditions in an area are unfavorable

year after year they may reduce yields to the point where seed production is altogether unprofitable. In others, conditions are such that seed production of a specific seed crop is profitable only in an occasional season.

For example, alfalfa is grown in nearly every State as a hay crop. Yet, normally, no State east of the Mississippi River has conditions sufficiently favorable for seed production to produce as much seed as is used in the State. Most States west of the Mississippi have natural conditions that are more favorable for the production of alfalfa seed. Within these western and midwestern States, several of which normally produce surplus alfalfa seed, there is a relatively small area where farmers consider alfalfa seed as a regular cash crop. Even in surplus alfalfa seed producing States, a larger portion of the seed produced comes from farmers who leave their alfalfa crop for seed only when production conditions appear most favorable or when the crop is less desirable for other purposes.

In the case of alfalfa, and similar production conditions exist for many other seed crops, seed production for market is relatively unstable except for the few localized areas that have highly favorable natural and economic conditions. Conditions may be such in an entire area that a good alfalfa seed crop is produced for market 1 year. Then the next year, with less favorable conditions, a very small volume is produced to sell.

These conditions not only influence the kind of seed produced for market in a given area but they largely determine quality and stability of production. Furthermore, they indirectly determine the kind and location of facilities, equipment, and kind of service that it will be practicable for the cooperative seed marketing service to give.

DEVELOPMENT AND PRESENT STATUS OF COOPERATIVE SEED MARKETING

A look at the development and present service of cooperatives marketing seed indicates how far the influence of these conditions of production have gone. As might be expected in areas with small and relatively unstable seed production, development of cooperative marketing has been slow. Here it is strictly a side-line service. The cooperatives are not justified in giving it much attention because the service is seasonal and dollar volume is low. Under these conditions they cannot afford to provide facilities and equipment to do the best job, or in many instances even a good job, of marketing.

Fastest development has occurred in the relatively few areas where seed is consistently an important cash crop. In such areas the cooperative was organized for the primary purpose of marketing seed by producers whose seed crop was consistently an important part of their farm enterprise. Several were organized by members of State crop improvement associations to market their production of State certified seed. Since seed marketing is their major function, these cooperatives have generally

been more aggressive in providing the most effective specialized facilities, equipment, and other instrumentalities for the job.

We do have some excellent cooperative seed marketing services, particularly among the specialized seed marketing cooperatives and regionals with seed marketing departments. But, too often, the local cooperative's service is poorly developed and has lacked the attention it would seem to merit. The most practical method for improving this present general status appears to be in increased participation and development of the service by regional cooperatives. The regionals can be especially helpful by passing on to the local cooperative and the grower the advantages of efficient processing and merchandising operations. The past year or two some regionals serving surplus seed producing areas have been giving serious thought and planning to the problem of providing such a service. These plans would indicate a substantial improvement will be made during the next few years in the general status of cooperative seed marketing service in the United States.

Local and regional cooperatives that market seed almost always provide also seed purchasing service. They will usually purchase a great many different kinds of seeds that farmers in their respective territories wish to buy, and market for them the kind or kinds they normally produce for sale. The number of kinds of seeds purchased is always much larger than the number marketed. Several of the specialized seed marketing associations also purchase seeds for their members' use.

SPECIALIZED SEED MARKETING SERVICES

The 23 cooperatives listed in table 1 and figure 1 were organized by growers primarily for the service of marketing seeds. They are referred to as the specialized seed marketing cooperatives since seed marketing, at least originally, was their primary service. They are located in areas where seed is an important cash crop and where volume is relatively stable and concentrated. A few of the associations have provided additional marketing and purchasing services that now exceed the dollar volume of seed marketed. About as many associations provide little or no other service. Of the 23 associations, 12 range in between these above two extremes. Twenty own and operate their own processing and warehousing facilities and equipment. The other 3 contract for these services. In all cases, the association markets seed ready for distribution to the wholesale or retail trade instead of to the processors.

Of the 23 associations, 8 have had from 20 to 30 years of operating experience; 5 more have had from 10 to 20 years; 8 from 5 to 10 years; and the remaining 2 associations began operating in 1940. Thus, most of these specialized seed marketing associations have had several years experience as a basis for their present operations.

The grower is their member and patron. They had an average of 240 members at the close of their 1943-44 fiscal year. Membership ranged from a low of 11 members to a high of about 660. Seven of the 23 associations

had less than 100 members but in only 2 associations was the number below 60.

In addition to the average of 240 members, practically all of whom were patrons, these associations had on the average 163 nonmember grower patrons. A substantial majority of these nonmember patrons were in the process of becoming members through the accumulation of patronage dividends toward the payment of the required amount of individual member capital.

LOCAL COOPERATIVES MARKETING SEED

About 440 local associations now market various quantities of field crop seeds. They were not organized primarily to market seed as were the specialized seed marketing associations. Although some local cooperatives located in areas of heavy seed production do consistently market several carloads of seed per year, for most of these associations seed marketing is strictly a secondary service. In fact, about 280 of the local grain elevator associations, or close to 11 percent of all such associations, market seed as a side-line service. Most of the remaining 160 are associations whose principal function is to purchase such farm supplies as feeds, seeds, petroleum products, and fertilizer.

The clovers, alfalfa, various kinds of grasses, winter cover crops, lespedeza, and the small grain crop seeds are the principal kinds of seeds marketed by local cooperatives. Usually not more than one or two kinds of seeds are marketed by any one association although many different kinds will be purchased for members who wish to buy seeds for their own use.

REGIONALS MARKETING SEED

Seed marketing is a comparatively new service to be provided by regional associations. At present, only four (figure 1, table 1) have definite seed marketing services. In addition, the Missouri Farmers Association Milling Company of Springfield, Missouri, markets some lespedeza seed and the Tennessee Valley Fertilizer Cooperative of Decatur, Alabama, is building a plant to be used primarily for processing and marketing seeds.

The four associations studied all have excellent facilities and equipment for complete processing. They also have competent personnel for actual merchandising and marketing operations. Regional marketing services are operated by a seed department that also includes a seed purchasing service.

The present trend and plans for future regional operations indicate they will develop at an accelerated rate their excellent possibilities for service to their local member cooperatives marketing seed. This should be particularly true where the volume of the locals does not justify the facilities, equipment, and personnel necessary for the most effective service.

OPERATIONS OF SPECIALIZED CO-OP SEED MARKETING ASSOCIATIONS

Some general operating practices are common to each of the 23 specialized seed marketing associations. They nearly all use the pooling method for part or all of their seed marketing operations. Each settles with the grower on the basis of the quality or grade of the seed he delivers. They all encourage the grower to produce high quality seed and in some cases have a special program to help. Their member and patron relationships are similar, each serving the grower directly. In each association the grower is the cooperative's member and patron.

On the other hand, these specialized seed marketing associations are not comparable in many specific operations. The kind of seed marketed makes a lot of difference in the machinery and equipment used in processing and consequently in the charges necessary for this service. Storage and warehousing equipment also vary. Likewise, capital requirements are different. Certain factors make it difficult to consider operations of all 24 associations as a group. First, while most associations do not provide any service other than seed marketing, some do. Then, there is considerable variation in volume of side-line business as compared with the volume of seed marketed; and, in view of the small number of associations, it is particularly difficult to consider operations on a group basis for some types of statistical summaries commonly used to compare kinds of operations within a group of associations.

Ten associations market only one kind of seed each. Of these, 4 market seed potatoes, 1 onion sets, 1 Acala cottonseed, 1 seed peas, 1 alfalfa, and 1 Kentucky bluegrass. The other 14 associations market 2 or more kinds of seeds. A combination of alfalfa and 1 or more kinds of clover seed, or 1 or more of the small seeded legumes and grass seed, are combinations most frequently handled.

OTHER COMMODITIES HANDLED

Operations in recent years indicate a trend toward increasing dependence on commodities other than seed.

All but 3 of the associations listed in table 1 handle other commodities in addition to seed. The total dollar volume of these other commodities varies considerably with each of the 20 associations. A few associations handle a very small volume compared with the volume of seed marketed. On the other extreme, other commodities now constitute a major part of the total volume of some associations.

These other commodity services include marketing feed grain and such edible crops as peas, beans, and potatoes, or purchasing such supplies as bags, feed, seed, or fertilizer. They help provide a year round service to the membership. Even in the heavy surplus seed producing areas in which these associations are located, volume of seed produced for market varies to a point where in an occasional year the cooperative may have very little seed to market. Particularly during these short seed

crop years, other commodity services are helpful to maintain necessary personnel and facilities.

In this connection, attention is called to the fact that the hazard of a seed crop failure or a short crop varies. The chance of a seed pea or cottonseed failure in a good production region may be considerably less than for alfalfa seed in what might be considered an equally good production area. Thus, the need for providing other commodity services as a means of stabilizing operations and using personnel and facilities more efficiently varies with the kind of seed being marketed.

This need, no doubt, accounts in a large measure for the difference found in operations of the various associations studied. Even so, most specialized seed marketing cooperatives believe they can improve efficiency of operations and maintain better membership relations by providing other commodity services.

ALFALFA AND CLOVER ASSOCIATIONS

A majority of the associations studied market alfalfa or clover seed or both. Quite often one of the grasses is marketed in addition. Since these organizations were in the majority, they were selected as examples to show some of the specific operations of specialized seed marketing cooperatives.

Detailed information was obtained from nine such associations. Only one of the nine did not provide commodity services other than seed marketing. The other eight purchased such farm supplies as bags, seeds, feeds, or fertilizer. The volume of these farm supplies varies from about \$2,000 per year to \$100,000 or more in the case of one association. Two of the eight associations provided other marketing services. One marketed small grain and flax in addition to seeds, and the other marketed hay, small grain, and flax. One of these associations handled seed worth over \$385,000 during the 1933-34 season. This constituted 55 percent of the total volume of business. The other association's volume of seed marketed was a little over \$162,000 and accounted for only about 15 percent of its total volume. Seed volume made up from 70 percent to 95 percent of the total volume for the other six associations that provide other commodity services.

A look at the high and low figures of the associations used in calculating the averages in table 2 will give a clearer picture of the annual volume of these nine associations. For the year ending in the spring of 1944, the lowest dollar volume of seed marketed by any of the nine associations was about \$25,000 worth, the highest was over \$385,000. The same year the lowest total dollar volume of business for any of the nine associations was about \$45,000, the highest was over \$1,185,000. The ranges for the 2 previous years, for which averages are shown in table 2, are comparable to those given above for the year ending in 1944.

Table 2 indicates the average volume of business for the nine associations has increased substantially in each of the last 3 years and that

most of the increase has been from the side-line or other commodity services.

These simple averages indicate a larger volume of side-line services as well as a larger percentage of side-line volume to total volume than would be indicated by a median figure. The two associations providing other marketing services as well as a purchasing service are largely responsible for the difference in volume. However, the relative importance of seed operations by these two associations shows a smaller percentage of decline in the past 3 years than do some of the associations that handled smaller amounts of other commodities in 1942. So the trend toward larger volume of side-line services, as evidenced by the percentage figures in table 2, is really more evident with associations who purchase farm supplies as their only other commodity services.

Table 2. - Analysis of average dollar volume of nine specialized alfalfa and clover seed marketing cooperatives, for their fiscal years ending from March 30 to June 30, for 1942, 1943, and 1944.

Item	Year ending		
	1942	1943	1944
Value of seed marketed....	\$123,994	\$126,404	\$133,733
Side-line services.....	64,083	107,434	156,235
Total volume.....	188,077	233,838	289,968
Percent seed marketed is of total volume.....	65.9	54.1	46.1
Percent side-line is of total volume.....	34.1	45.9	53.9

Marketing Practices

Settlement with the grower for alfalfa or clover seed marketed is made by the cooperative on the basis of clean seed. Each lot is tested to determine dockage and grade at the time the seed is brought in for market. Settlement is made on the basis of that test or on the basis of the actual clean-out and grade resulting after the lot is processed. Appendix Forms 1, 2, 3, and 4 will serve to indicate the records kept for settlement purposes.

As alfalfa and clover seed is processed for market it is usually blended and bulked by grade. The grade designation used is often choice or premium, No. 1, No. 2, No. 3, and sample grade, depending upon purity, germination, weed seed content, color, plumpness, and uniformity. Certified alfalfa or clover seed is sometimes marketed by grade. One association uses different colored labels to designate quality of seed that meets certification requirements. The procedure for grading certified seed is regulated by the certifying agency.

These nine associations all market some certified seed. Certified seed constitutes from 5 to 50 percent of the total alfalfa or clover marketed for a majority of the associations. The principal exception is Ladino clover. Nearly all of the Ladino clover is marketed as red or yellow-label certified seed.

Marketing Agreements

When associations marketing alfalfa and clover seed take title to seed pooled with them, they usually execute a marketing agreement with the grower. This practice was followed by all the associations studied that operated alfalfa or clover seed pools.

The agreements used set forth the principal terms and conditions of the association's responsibility to the grower, and the grower's obligations to the association on seed produced for market. The Form 5-A, shown in the appendix, is one marketing agreement being used. Others used often give greater detail, particularly in regard to the grower's responsibility with respect to the production of certified seed and service charges for the associations. However, this form does have the advantage of being brief. At the same time, it sets forth the principal marketing considerations between the grower and his association.

Alfalfa and Clover Pools

Seven of the associations have used the pool method of marketing for all or a substantial part of the seed marketed. Because of present competitive conditions under price ceiling regulations and other changes in operating methods, one association that formerly used the pool method now purchases nearly all seed outright. Others of the seven associations give the grower the choice of selling at going local market price or pooling, but encourage him to pool his seed. Pooled alfalfa and clover seed range from 40 to 100 percent of the total marketed for the year ending in the spring of 1944. Two associations reported all alfalfa and clover seed was pooled. Four more estimated 90 to 95 percent was pooled.

At the time of delivery and grading of pooled seed, associations usually make the grower a cash advance of 50 to 60 percent of the current local market price. A little higher percent of market value has been advanced during the last year or two due to price regulations and the strong sellers' market existing on clover and alfalfa seeds.

These associations take title to the clover and alfalfa seed placed in the annual pool. As these seeds are brought in for pooling in the fall, the process of cleaning, refining, purifying, blending, and bulking by grade or quality begins. As seeds are processed the actual marketing can get under way. Each association intends to complete these operations, close the pool, and make final settlement as soon as practicable. Final settlements are usually made in the late winter or early spring on alfalfa and clover seed placed in the pool during the fall months.

The final return to the grower is made on the basis of the average sale price of the grade that corresponds to his grade or grades as determined by test at the time of delivery. From this average sale price is deducted fixed service charges for processing, insurance, storage, and selling. The grower then receives the average sale price of his grade, less association service charges and cash advances. At the end of the fiscal year, if service charges are more than actual cost of the services and reserves, the balance saved is prorated to the patrons on the basis of their respective patronage.

Two associations do not take title to the grower's seed. While they perform about the same service as described above for pooled seed, each grower's lot of seed is sold on its individual merits. Each grower receives the actual sale price of his lot of seed, less service charges. Actually, the association acts as the grower's agent as it processes and markets his seed. Service charges, advances, patronage, dividends, and other operating methods are all fundamentally the same as those described for pool operations.

Custom Cleaning and Processing

Associations with machinery and facilities to clean and process the small seeded legumes and grasses for market often provide a supplemental service of custom cleaning. Such service is intended for the grower who wants to have seed cleaned or otherwise processed for his own use rather than processed for sale to the commercial trade. To cite a specific example: the Western Montana Seed Growers Association of Charlo, Montana, provides a useful custom cleaning and processing service for the farmer sowing small grains. Its machinery and facilities, used principally for processing and marketing red clover and alfalfa seed, are used also to custom clean and treat seed wheat and other small grain seed. This service has been extremely useful to farmers in controlling weed seed and smut. Alfalfa and clover seeds to be used by the growers are also custom cleaned and sometimes scarified.

Seven of the nine specialized alfalfa and clover seed marketing cooperatives provide custom seed cleaning services. The rates charged for this are usually the same as those for the cleaning and processing service in connection with the pool marketing operations. Rates vary with the capacity of each machine for handling different kinds of seeds. For example, an air-screen cleaner cleans a larger number of pounds or bushels of wheat in a given period of time than it will of alfalfa or clover seed. Thus, the rate for cleaning wheat is less per pound or per 100 pounds than for the small seeded legumes or grasses. Also, rates vary for different machines. A gravity machine or a dodder machine has less capacity than a large air-screen cleaner and thus the rate is usually higher. The capacity of the machine on a given kind of seed is one basis used to determine the rate charged for the service. One manager figures all costs of operating a large air-screen cleaner as well as most other specialized seed cleaning machines is about \$3.50 per hour for his particular labor, power, and other operating expenses. Knowing

from experience the approximate capacity of each machine for the various kinds of seed and approximate costs of operating the machine, it is a relatively simple calculation to figure a rate per 100 pounds of seed.

Disposition of Seed Marketed

Seven of the nine associations from which detailed information was obtained reported that most sales were made directly to wholesale distributors. The other two associations, the oldest in the group, had built up a considerable patronage through retail outlets, most of which were direct sales to farmers by way of mail orders. This together with the sellers' market the past 2 or 3 years has made it possible for these two associations to dispose of 80 to 90 percent of their alfalfa and clover seed either through retail outlets or direct to the farmer.

The average disposition made in the 1943-44 fiscal years of the nine associations was 23.7 percent direct to retail trade or to the farmer and 76.3 percent to wholesale buyers. Of the seed sold to wholesale buyers, an average of 31.7 percent went to cooperatives and 44.6 percent to other wholesale buyers. Two associations marketed practically 100 percent of their alfalfa and clover seeds to regional cooperative wholesale buyers, who, of course, distributed the seed to their local member cooperatives or directly to the farmer through their local distribution agencies.

Most of the associations use short ads in the trade magazines and papers that have wide distribution as a part of their merchandising programs. They all give attention to the development of distinctive brands that identify the seed they distribute. The brands of the older associations have become particularly well known in the trade as representing high quality, dependable seed. Figure 2 shows three of the brands used by the associations marketing alfalfa and clover seeds.

Operating Results and Financial Position

Information was not available from all the audit statements of the nine associations to

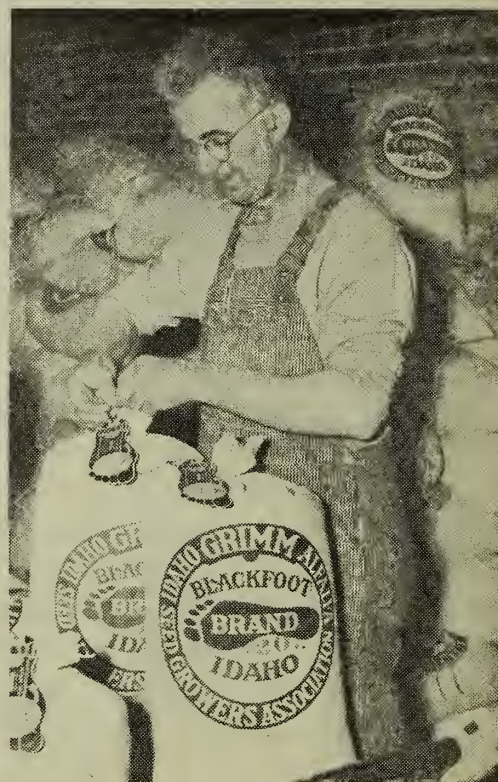


Figure 2. - Distinctive brands used by three of the specialized seed marketing cooperatives.

show the exact margins, expenses, and savings of each commodity. These statements did not separate other commodities from seed marketed. However, this information was given for the entire operation.

For the fiscal years of the nine associations ending during the spring of 1944, gross service charges and margins averaged \$29,994; expenses averaged \$23,125; and savings from gross service charges and margins averaged \$6,869. The range of the individual association's figures used in calculating these averages was wide, as would be expected by the difference in volume together with the difference in commodities other than seeds handled. The range in gross service charges and margins was from \$134,357 to \$3,207, the high figure being for an association that marketed over \$385,000 worth of seeds and had additional sales of small grain, flax, and farm supplies of over \$310,000. The low extreme of the range was for an association whose principal gross retains were from processing and handling charges on a short crop of clover and alfalfa seed. The range in expenses and net savings follows the same pattern as indicated for gross service charges and margins. Net savings ranged from \$25,431 to as low as \$54 for the 1944 fiscal year of the nine associations.

An association using the pool method of operation and having very little side line business would derive practically all its gross retains from fixed service charges rather than from margins on purchase and sale operations. Under these conditions of operation it would be logical to expect gross retains and net savings to be relatively low. Extra gross retains and net savings that might occur in a purchase and sale operation would be returned to the grower in a higher final settlement price in the case of a pool operation.

Table 3. - Average condensed balance sheet of nine specialized alfalfa and clover seed marketing cooperatives for fiscal year ending March 30 to June 30, 1944

Assets	Liabilities and net worth
Current assets:	Liabilities:
Cash..... \$4,882.59	Current liabilities..... \$12,561.19
Inventories..... 14,365.06	Deferred liabilities..... 2,358.81
Other current assets..... 7,154.10	
Total..... \$26,401.75	Total liabilities..... \$14,920.00
Other assets..... \$7,111.25	Net worth:
Fixed assets (cost). 29,330.71	Capital stock..... \$16,199.36
Depreciation reserve..... 7,204.31	Other membership capital. 22,286.15
Fixed assets (net) \$22,126.40	Surplus and reserves..... 2,233.89
Total assets..... \$55,639.40	Total net worth..... \$40,719.40
	Total liabilities and net worth..... \$55,639.40

The average balance sheet of these nine specialized alfalfa and clover seed marketing cooperatives (table 3) indicates a healthy financial condition. Operating savings left with the association as allocated members' equity, in addition to their capital stock, surplus, and reserves, have built up net worth and decreased total liabilities to the extent that members are furnishing 73.2 percent of total capital used. In only three associations are the members providing less than three-fourths of total capital used. These three have expanded their facilities and operations rapidly in recent years. Although their financial position is not now quite as strong as the others, in each case it would be considered sound.

The average of \$14,365.06 for inventories and \$7,154.10 for other current assets (consisting mostly of accounts receivable) is considerably higher than a median figure would be, as the two associations handle a large volume of other commodities. In fact, four of the next highest inventory and other current asset figures ranged from \$5,300 to \$6,900 for inventories and from \$1,600 to \$3,200 for other current assets. As might be expected, the capital requirements for inventories and other current assets are relatively low for those associations that use the pool method of marketing and do not handle a large volume of additional commodity services.

The average other assets of \$7,111.25 are almost entirely investments in Government bonds or stocks in other corporations. In fact, about two-thirds is Government bonds owned by three associations. One association in the group owned \$27,000 of Government bonds, another \$15,500. The balance of the total amount used in calculating the average of other assets was stocks in other corporations.

Facilities and Equipment

The cost value of fixed facilities ranged from about \$5,700 for one association that rents part of the facilities used to about \$84,000. The association with buildings, machinery, equipment, and other fixed assets costing \$84,000 provides no other service than that directly concerned with the marketing of alfalfa and clover seed. Five of the nine associations used in calculating the average of \$29,330.71 had fixed assets that originally cost less than \$12,000.

The buildings and equipment of most of these associations are relatively new. Thus, the reserve for depreciation for fixed assets averages only \$7,204.31. One association completed a new processing and warehouse building and purchased some new machinery and equipment just previous to the close of their 1943-44 year. Four other associations have fixed facilities that have been depreciated less than 25 percent of cost value.

Most of these associations have just one building large enough to provide office room, processing plant space, and warehouse space to store and handle sacked seed. Plant machinery and equipment always included

one or more large air-screen cleaners for the basic refining and purifying operation. Then, for further refinement and purification, the associations use some or all of the following machines: velvet roll machine for dodder, a special machine or attachment to remove buckhorn seed, a gravity machine, disc separators of various kinds, and a scarifier or huller.

They usually have bins for blending and bulking and, of course, elevators and conveying equipment to carry the rough seed through the various stages of processing. Figure 3 gives an inside view of part of the processing plant and equipment of Grimm Alfalfa Growers Association of Blackfoot, Idaho. This is an excellent plant and is used exclusively for processing and warehousing alfalfa and clover seed.



Figure 3. - View of Idaho Grimm Alfalfa Growers Association's modern seed processing plant at Blackfoot, Idaho.

OPERATIONS OF OTHER SPECIALIZED SEED MARKETING CO-OPS

As was pointed out in previous discussion, the kind of seed marketed makes considerable difference in specific operating practices as well as in the kind of warehouse facilities and machinery needed. For example, the processing and warehousing operations for certified seed potatoes require machinery, equipment, and facilities altogether different from that for alfalfa seed. Storage facilities requirements are also considerably different for seed potatoes from those of seeds with lower moisture contents. The special machinery used to refine and purify the small seeded crops is, of course, unnecessary for processing seed potatoes.

The discussion to follow will be directed primarily toward pointing out only those features concerning other specialized seed marketing operations that appear most significant in view of the previous discussion of alfalfa and clover seed marketing associations.

Miscellaneous Seed Marketing Services

Farmers around the villages of South Holland and Mount Prospect, Illinois, have produced as much as 85 percent of the Nation's commercially grown onion set crop. Onion sets are an important cash crop for many farmers in that area. Under these conditions it was natural that they were sufficiently interested in marketing their crop to organize their own cooperative marketing agency for the job - the Illinois Onion Set Growers Exchange. This association operates three pools - fall, early winter, and winter. It stores, grades, sacks, and markets under its "Sunrise" brand for about 65 member growers. Its 1943 crop of over \$395,000 worth of onion sets was one of the largest annual dollar volumes marketed during the association's 13 years experience.

This association is marketing a specialty crop and it may be that throughout the Nation no other similar association is practical. Even so, its successful operation does demonstrate the practicability of a specialized seed marketing cooperative under the most favorable economic and natural conditions of seed production.

Another specialized seed marketing cooperative is the California Planting Cotton Seed Distributors of Bakersfield, California. It markets Acala registered and certified cottonseed for about 200 growers. There are many communities producing only Acala cotton in California and in other cotton producing States. They need a dependable source of pure, high quality seed. This cooperative, operating under direct supervision of personnel of the U. S. Cotton Field Station at Shafter, California, is supplying a substantial part of that need. Each year new foundation stock seed is received from the Shafter station. The cooperative selects 10 to 12 of the best growers and several hundred acres of the best growing environments to increase this foundation stock seed. The increase is then distributed to the other grower members. In turn, they produce Blue Label seed on several thousand acres. This seed is marketed through the association's seed pool throughout California and in some of the other cotton States. The association not only provides a valuable service to growers producing registered and certified cottonseed but is making an important contribution to the yield and length of staple of cotton.

A third highly specialized seed marketing operation is provided by the Missouri Seed Growers Cooperative, which has been marketing Kentucky bluegrass seed since 1936. It now handles this service for about 480 member growers in five or six of the midwestern and North Central States. Annual sales have been as high as one and one-quarter million dollars in the 2 years since operations began. It has worked out a very satisfactory contract agreement with the Peppard Seed Company, Kansas City,

Missouri, to take care of processing, warehousing, and distribution. Final settlement prices in the annual bluegrass seed pools indicate the association has been very successful in adding to the growers net returns for their seed as compared with prices received through the usual market channels.

The Egyptian Seed Growers Exchange began marketing redtop and timothy seed cooperatively back in 1922. They are serving a territory that produces a substantial part of the Nation's redtop seed. They do their own processing and distribution and in recent years have been purchasing feed and seed for members in addition. Their operations generally are very similar in nature to those of the alfalfa and clover seed marketing associations previously discussed.

Seed Potato Marketing Associations

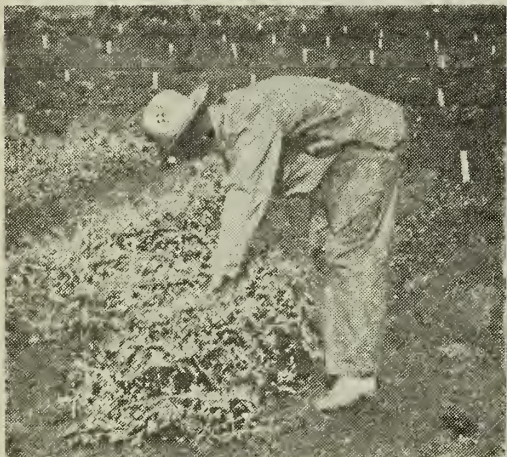
Four cooperatives market certified seed potatoes. Potatoes that do not meet the quality standards for certification or the standards of the association, which are sometimes higher, are marketed as table stock. Three of the four associations market both seed potatoes and table stock. The Michigan Certified Seed Potato Growers' Association has a separate companion cooperative association that markets table stock and purchases some farm production supplies for the certified seed growers and others.

The total volume of potatoes marketed by the Maine Potato Growers for the 1944-45 season is expected to be about 1,500 cars of seed potatoes and 6,500 cars of table stock. They marketed a total of 11,740 cars during their 1943-44 year and had a total volume of business of over \$12,000,000. This included farm production supplies purchased for members.

The New York Cooperative Seed Potato Association and the Nebraska Certified Seed Potato Cooperative market a much larger volume of seed potatoes than table stock. With these two associations, membership is intended primarily to cover the certified seed potato grower, whereas the Maine Potato Growers is intended to serve both the certified seed potato growers and the growers who produce only table stock.

The number of members of these four associations ranges from 60 to 250 so, from that standpoint, they are similar to associations marketing clover and alfalfa seed. However, total annual volume is considerably larger, especially in the case of the Maine Potato Growers and Nebraska Certified Potato Growers Cooperative.

The pool method of marketing is used by all four associations. In this connection, the associations have marketing agreements with their members setting forth the conditions and obligations of the grower and the association to each other. Form 5-b in the Appendix, which has been used by the Michigan Certified Seed Potato Growers' Association, will



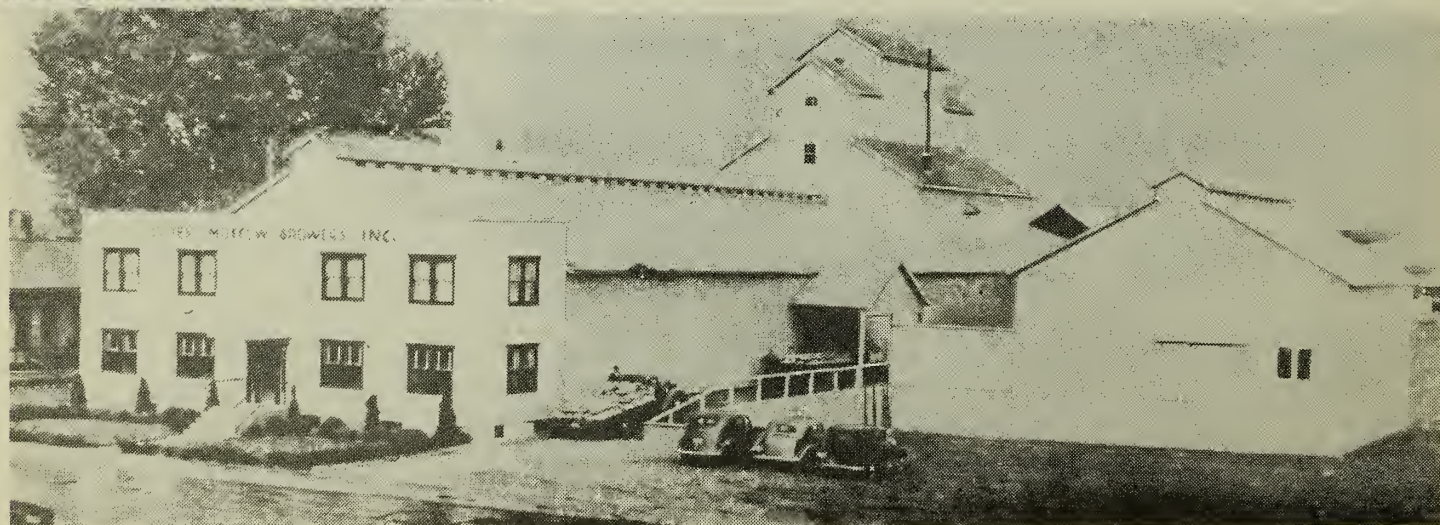
serve to illustrate the type of marketing agreement used by these associations. While agreements currently used vary between associations as to the detail of specific terms, the general provisions are much the same in all contracts. This Form 5-b also serves to give a general idea of the associations' operations as well as marketing agreement provisions generally used.

These associations make a special effort to obtain for their growers foundation seed of highest quality. At least two of the associations have a program of producing foundation seed stock to be used by their certified seed potato growers. They grow foundation seed under the best conditions of isolation and disease control. This service of the cooperative has proved helpful to the growers producing certified seed potatoes for market.

Crites-Moscow Growers' Seed Pea Marketing Program

The Crites-Moscow Growers, Inc., market seed peas used by the canning and freezing trade. Their operations are unique. They observe the results secured by growers using their seed. They study their needs. Then by careful selection and plant breeding they improve the pea seed marketed to conform as closely as possible with the consumer's need.

Figure 4. - No. 1, increase plots used in the seed stock improvement program. No. 2, threshing with miniature rubber roll thresher. Machine is simple and easily cleaned to avoid mechanical mixing. No. 3, harvesting nursery plantings by hand to avoid mixing. No. 4, modern plant of Crites-Moscow Growers, Inc., where seed is cleaned, graded, and sorted for market.



This cooperative's management feels very strongly that its successful marketing of seed peas is due largely to the superior quality of the peas from the viewpoint of their usefulness to the consumer. Its program of research, plant breeding, and close supervision of production is proving practical for the job. After all costs of research, processing, and other operating expenses have been deducted Crites-Moscow members receive considerably higher returns than they would if they marketed through other trade channels.

Research is conducted on the association's own field nursery where selections are planted in individual short rows. Here characteristics are studied. Purity is maintained by careful cultural and harvesting methods. Promising selections are increased in larger plots as they undergo further test and study for the various plant characteristics that contribute to value-in-use for canning and freezing (figure 4).

The research at the Moscow Idaho Nursery is checked in field trials each year in the heavy consuming areas in New York State and Wisconsin by the cooperative's two fieldmen. These fieldmen also make observations and provide production services for the customers growing peas for canning or freezing. Such observations are helpful in guiding the research at Moscow. Their service to the customer helps him produce a better crop and thus builds goodwill and patronage.

The best varieties and strains, as indicated by research, are produced and furnished to the cooperative's growers as foundation seed stock. The grower's production contract provides that the cooperative will supervise production practices such as proper isolation, seed bed condition and preparation, rate and date of planting, fertilizer application, dusting, and finally the actual harvesting of the seed crop. Every practical precaution is taken to help the grower produce seed peas that will have the highest value-in-use.

Harvesting completed, the grower hauls his crop into his cooperative's modern plant for cleaning, grading, sorting, and otherwise preparing the seed so it will be in the best condition for market. All seed is marketed on a 100 percent pool basis. The processing and marketing is conducted with the same skill and care as was the production of the seed. Here again every practical effort is made to improve utility value of the pea seed. As a result, the members of the commercial pea canning and freezing trade that buy Crites-Moscow seed recognize the brand (figure 5) as a symbol of dependable, highly desirable seed. For such seed they are willing to pay a premium price.

The success of this program is evidenced by a consistently higher cash return to the grower than he would receive through ordinary market channels. Since operations started in 1933, the association has been keeping a small allocated retain from the annual net savings of members and patrons. At present, these savings left with the association, together with other member capital, total over one-fourth million dollars and provide a substantial part of all capital used.

WORKING TOWARD PRODUCTION OF BETTER SEED

Such an extensive program of research and distribution as the Crites-Moscow Growers have would not be practical for many of the other seed marketing cooperatives. However, the fundamental marketing principle back of the program is well worth their serious consideration - the practice of adding to the practical utility value of the seed will bring higher net returns to the members.

Seeds are no exception to the rule that users of a commodity will ordinarily pay the highest price for the quality that best serves their needs. One of the first practical methods usually considered to improve seed utility value is processing. However, improvement by processing is limited to improving the physical character of the seed lot and by its condition when brought in for market.

The grower's selection of seed stock and his care during and following seed production are usually more important, however, than is seed processing. Therefore, the encouragement and actual help given the grower in procuring seed stock with the most desirable inherent character and in caring for seed until delivered for market are highly important to a program directed toward the best job of seed marketing.

The specialized seed marketing cooperatives are doing an excellent job on their processing and merchandising operations. But, as a group, they have not concentrated on all the practical possibilities of helping their members produce the best seed to the same extent they have on improving the seed by processing.

The Crites-Moscow Growers is the most outstanding exception among this group of associations. Other exceptions are the cooperative programs to provide the best available foundation seed stock for their growers, such as those of the Maine Potato Growers or the Nebraska Certified Seed Potato Cooperative. Managements of associations marketing alfalfa and clover seed encourage their farmers to produce the new improved strains or varieties of these crops. Some of them also visit the growing crops



Figure 5. - A cooperative seed brand that means high utility value to the pea canning and freezing trade that buys the seed.

to advise with the grower regarding various production and harvesting methods. Others do not have a definite program. Generally, however, more attention should be given to practical methods of helping the grower with his production program as a means of securing a higher net return for him from seed marketed.

OPERATIONS OF LOCAL COOPERATIVES MARKETING SEED

The importance of seed marketing in local cooperative associations varies. However, even where the volume of seed business is largest, it is not considered the most important service of the association. Some of the estimated 440 locals may do as little as a few hundred dollars worth of seed marketing in a season. On the other extreme, some associations market a large volume running into carloads. In this latter group are associations in the Pacific Northwest that market winter cover crop seeds and those handling lespedeza in Missouri, North Carolina, and other heavy lespedeza producing States.

The amount of seed marketing business is reflected in the service the association offers. The fact is that probably less than 10 percent of the locals are equipped to do seed processing on a scale comparable to that offered by specialized seed marketing associations. But those local associations that have good facilities and equipment and a volume that can be figured in carloads often operate along the same general lines as described for the specialized group of associations. They may operate a seed pool, use marketing agreements, and provide custom cleaning service. Even this group of local associations are not specialized in their processing, grading, merchandising, and distribution operations to the extent usually found with the specialized seed marketing cooperatives.

An estimated additional 50 percent of the locals marketing seed are equipped with an air-screen cleaner that enables them to do the basic cleaning operation. They are not equipped to handle seed lots that require further refinement and purifying with such specialized machines as dodder mills and mechanical separators. These associations sell the largest part of their seeds to processors. A small minority use the pool method of marketing. Their volume averages smaller than the first group and their usual practice is to purchase the seed at the current local cash price, run it over the cleaner, and sell it quickly. As a group, these associations are unable to accomplish as good a merchandising job, from the viewpoint of the grower, as those associations more highly specialized in processing and marketing.

The rest of the local associations marketing seed, about 40 percent, simply act as agents. Their principal service is assembling seeds for the larger seed buyers. They take the thresher-run seed, weigh it, make a rough test, load it in a car or truck, and consign or sell it to some processor-buyer. The grower receives full payment by a check written directly on the processor for whom the cooperative is assembling the seed. Or, the cooperative actually purchases the seed in the rough

from the farmer with its own capital and quickly sells it to the processor. In either case, the local cooperative's operation is primarily only that of assembling seed in its territory. For this, it receives a commission or a local assembler's margin.

Local cooperatives' seed marketing operations are limited by the economic and natural conditions of production peculiar to the respective trade territories. These conditions determine the amount and stability of the supply of seed produced for market. They influence the facilities, equipment, personnel, and working capital that can be used efficiently in the seed marketing operations. They make it necessary for locals to limit their services to those practicable under existing conditions.

However, locals are finding a way to overcome these limitations. Individually their respective volumes are too small to justify the refinements necessary for the most desirable seed marketing operations. So, they are beginning to pool this volume through their regional cooperative. The aggregate volume at the regional level of operation is often large enough to justify efficient operation.

OPERATIONS OF REGIONALS MARKETING SEED

Operations of the seed marketing service provided by the four regional cooperatives studied are not comparable except for general objectives and policies. The principal kind of seed marketed by each differs. Two are centralized regionals; the other two are federated.

The principal service of Washington Cooperative Farmers' Association is marketing poultry and eggs. Land O'Lakes Creameries' principal service is manufacturing and marketing of dairy products. The principal service of Farmers Cooperative Federation and of the Pacific Supply Cooperative is purchasing farm production supplies. So, two are regional marketing associations and two are purchasing associations. The seed department of each of the four regionals purchases a wide variety of field crop seeds for its members as well as provides them with a marketing service.

They all have excellent plants, equipment, and personnel for processing and merchandising seeds. They all prefer to use the pool method of marketing, although competitive conditions, ceiling prices, and a sellers' market have caused three regionals marketing field seeds to increase considerably the percentage marketed on an outright purchase-and-sale basis. Each regional distributes some of the seed marketed back to its own membership in the areas that do not produce a surplus of these particular seeds. In most cases, the amount so distributed is a small percentage. The big percentage is marketed to wholesale and retail distributors.

Because each regional markets different kinds of seeds and because of other differences in operations, a brief description of their respective marketing services will serve best to present information on their operations.

WASHINGTON COOPERATIVE FARMERS ASSOCIATION

For more than 50 years, vegetable seed production has been an established industry in the famous "Skagit flats" in northwest Washington. However, it was not until 1942 that vegetable seed growers in this area began to set up their own marketing program. They recognized the fact that the long successful egg and poultry marketing experience and nationwide distribution contacts of Washington Cooperative Farmers Association of Seattle, Washington, could probably be adopted for a program of vegetable seed marketing and distribution. So the growers asked this regional association to develop a vegetable seed marketing program.

The association took on the job. In 1942, it began the development of a seed marketing service now unique from the viewpoint of its technical operation and careful attention to quality standards.

As in other phases of the association's operations, the grower must take an important part of the responsibility for the quality of the seeds marketed. Marketing agreements are used which specifically set forth the obligations of both the grower and the association. In this connection, the association assumes full responsibility for the foundation seed stocks used by the grower. To assure uniformity of production the association operates a 50-acre trial field for the perfection of foundation planting materials. This foundation stock production and testing program is, of course, operated under the direct supervision of a highly specialized technician.

The association follows through with its production service to the grower. In addition to foundation material it supervises planting, roguing, fertilizer application, insect and disease control, and harvesting.

The growers have given the association the responsibility of determining from advanced orders and from other demand indications the total acreage to be produced for each of the various kinds of vegetable seed grown. From this determination, allotments of acreages for production of the different seeds are made to the many individual growers participating in this marketing program. This control over acreage to be produced of some 15 to 20 varieties of different vegetable seed crops is considered essential for the protection, stability, and objectives of the marketing service.

After the seed is delivered for processing the association assumes full responsibility for the job of cleaning, testing, grading, sacking, and otherwise preparing it for market. In the new completely modern plant constructed in 1943 at Mount Vernon, Washington, special attention is given to factors contributing to efficient operation. Every effort is made to eliminate all possible risk of mechanical mixtures during the processing operations. Machinery, conveyors, spouts, and other equipment are arranged to be as nearly self-cleaning as possible. Handling is

held to a minimum by using gravity flow through the successive stages of the processing operations. Machinery for processing is the best available for the specific operation (figure 6). In connection with the processing operations the association maintains a well-equipped laboratory and a seed analyst to completely check those factors affecting seed quality which can be determined in the laboratory. (Cover page photograph)

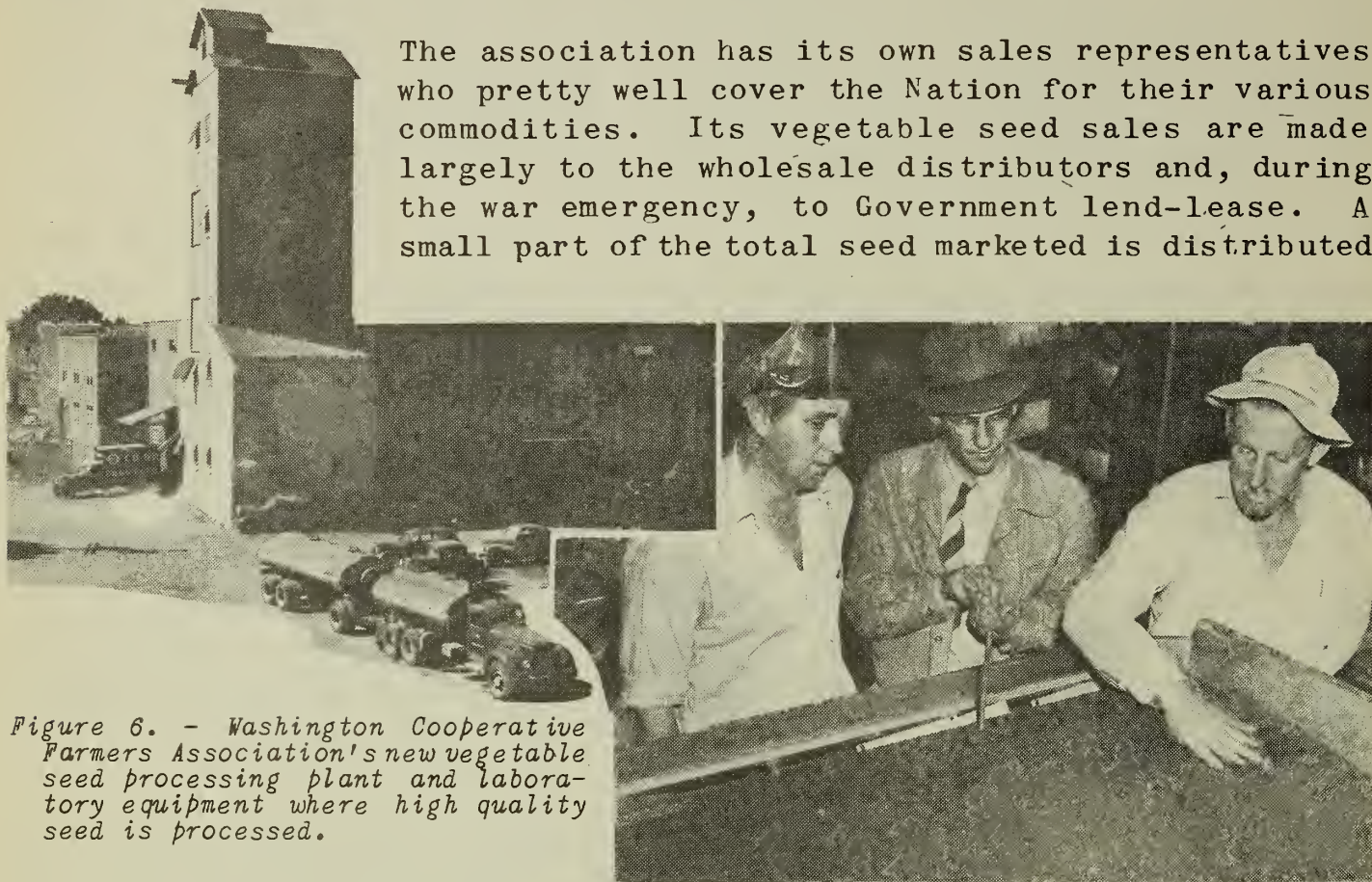


Figure 6. - Washington Cooperative Farmers Association's new vegetable seed processing plant and laboratory equipment where high quality seed is processed.

through its own cooperative seed purchasing service which purchases and distributes field seeds, seed potatoes, and vegetable seeds for about 20,000 farmer members.

The association markets vegetable seeds such as: cabbage, turnip, rutabaga, beet, radish, chard, kale, spinach, carrot, parsnip, and onion. It bases its operations on the belief that marketing a high quality product, as measured by value-in-use to the consumer, will result in the most effective service to the grower member. When the association expands its marketing service to include field seeds the same fundamental marketing philosophy will be put into operation. Although some of the specific technical operations will be entirely different with field seeds, the objectives and excellent results are expected to be the same.

PACIFIC SUPPLY COOPERATIVE

Another regional seed marketing service was started during 1942 in the Pacific Northwest. At that time, the principal service of the Pacific Supply Cooperative, Walla Walla, Washington, was purchasing farm production supplies. It then inaugurated the additional service of marketing field seeds.

Pacific Supply had well over 100 affiliated local member cooperatives purchasing farm supplies through it. Many of these local associations were located in the fine seed producing environments of Oregon, Idaho, and Washington. Some of them were already marketing in carload lots such seeds as the vetches, Austrian and dry edible peas, alsike and red clovers, rye grass, chewing fescue, alfalfa, and other kinds of clovers, grasses, and winter cover crops. Although some of these locals had good facilities and equipment to process seeds in substantial volume, they needed help with their merchandising program. Others whose volume was too small to efficiently use good processing facilities needed help on both processing and merchandising.

So, Pacific Supply Cooperative started in 1942 to build a marketing service that would supply that help to its member associations. They now operate three well-equipped seed plants at Ontario and Klamath Falls, Oregon, and Tullake, California. At these plants the association processes, grades, and merchandises those field seeds sent in by individual growers and by member associations. Most of the seed received is pooled. The pools are operated fundamentally the same as previously described under specialized association operations.

Pacific Supply executes a marketing agreement with its local cooperative member (Appendix Form 5-c) and the local in turn executes an agreement with the grower member. The principal provisions of the agreements and the general operation of the seed pool are substantially the same as those described during the discussion of specialized seed marketing associations.

Pacific Supply also provides a marketing service for its local member associations that operate their own processing plant. In this case, the service is one of merchandising for a commission or brokerage or of purchasing the seed from these associations at competitive prices and then reselling it.

This regional association provides helpful educational information to its member associations and to growers themselves through mailing lists provided by the locals.

Although Pacific Supply's seed marketing program is relatively new, its operating policies and experiences indicate the association is building a valuable service. Their operations give important weight to seed quality as measured by utility value, well-trained seedsmen, and sound business practices. Their progress in a little over 2 years indicates they will accomplish their 5-year goal of building a field seed marketing service that will make an important contribution to local cooperatives and their thousands of Pacific Northwest seed growers.

LAND O'LAKES CREAMERIES, INC.

Land O'Lakes has been marketing seed for about 12 years from the Northwest Minnesota territory. It has a branch plant located at Thief River

Falls, Minnesota, for this service. The natural and economic conditions existing in this territory were considered among the best in the Nation for the production of some of the small seeded legumes such as: sweet clover, red clover, alsike clover, and alfalfa.

Originally, the Thief River Falls branch plant was established primarily for the service to the local member cooperatives marketing dairy products. Then, it was found a large number of the local's farmer members had a seed marketing problem. Prices being paid growers were low. Buying margins appeared excessive. Grading, grade discounts, and dockage practices were sometimes unsatisfactory. These conditions prompted the management of Land O'Lakes' Thief River Falls plant to begin providing a seed marketing service.

At present, it has two plants at Thief River Falls well equipped for seed processing. The second plant was purchased from a competitor about 2 years ago. Now, one plant is used for processing sweet clover and small grain crop seed, and the second for alfalfa, red clover, alsike clover, and timothy, thus eliminating the chance of mechanical mixtures of alfalfa and sweet clover.

Until the last two seasons, seed pools were operated. Although farmers were given their choice of taking the market price or pooling their seed, the association encouraged them to use the pool. Now, under ceiling prices, competitive conditions, and the strong sellers' market existing for clovers and alfalfa, all seeds are purchased at local competitive prices.

The Thief River Falls territory is only a relatively small part of the total region served by the Land O'Lakes Creameries, Inc. Thus, the seed purchasing service that operates for member associations throughout the entire region distributes a substantial part of all seed marketed by the Thief River Falls branch except sweet clover. Most of the sweet clover seed is marketed to other wholesale distributors.

Land O'Lakes' seed marketing operations in the heavy surplus seed producing territory of northwestern Minnesota have been most helpful to seed growers. They now have a highly competitive market and many of the undesirable practices used 12 years ago have been discarded.

FARMERS COOPERATIVE EXCHANGE

The primary function of the seed service provided by the Farmers Cooperative Exchange of Raleigh, North Carolina, is seed procurement or purchasing for farmers. However, since North Carolina is one of the largest producers of lespedeza seed, the association is providing a marketing service for lespedeza seed growers. Primarily for that purpose they built a modern seed plant and warehouse at Statesville, North Carolina, especially designed to process lespedeza seed.

Although the Statesville plant is used primarily to process lespedeza seed for market, such seeds as soybeans, oats, wheat, barley, and vetch are processed for distribution through their seed purchasing department. That part of the lespedeza seed that is needed by the regional for distribution within the State is, of course, used for that purpose. But, a majority of the total lespedeza seed processed and marketed annually through the Statesville plant is sold outside the State to other wholesale distributors.

Although the principal service of Farmers Cooperative Exchange is the purchasing of farm production supplies, including all kinds of field crop and vegetable seeds, operations at the Statesville plant offer an important service to farmers in North Carolina who produce lespedeza seed for market.

SUMMARY AND CONCLUSIONS

The job of marketing seed cooperatively in the United States is being done by about 475 associations - 4 regionals, 25 to 30 specialized seed marketing associations, and about 440 locals.

The four regionals operate a seed department to do the seed purchasing and marketing as one of their various services to local associations. The locals market seed as a side-line to such major services as grain marketing and purchasing farm production supplies.

These associations in all do not handle a large percentage of the total seed volume marketed commercially in the Nation. But, they have made two definite contributions to the industry. They have been able to get higher net returns for their grower members and patrons by performing operations at costs less than competitive margins. By building up a reputation for seeds of quality and dependability, cooperatives have been able to command a little better sales price for the seed than the ordinary run of competitive seed sold. Their competition had also been influential in reducing operating margins and in establishing more accurate grading and dockage practices.

The extent to which cooperatives have made savings from operations and improved the growers' market varies widely. Obviously, the local association operating independently and providing only the service usually given by local assemblers of seed does not have as much opportunity for savings or competitive influence as the association that assembles, processes, and distributes seed to wholesalers or even directly to the retailer or the farmer.

The opportunity for service, especially by the local cooperative operating independent of a regional, is definitely limited by the volume of seed it has to handle and by the fact that volume is seasonal. A territory ordinarily served by a local association usually does not produce enough seed for market to justify the efficient use of the specialized

facilities, equipment, personnel, and other instrumentalities necessary for the most effective service. Only in the relatively few territories with the best natural and economic conditions favoring seed production is volume of such seeds as legumes and grasses large enough for efficient operation of the best cooperative processing and merchandising programs. Even the specialized seed marketing associations are finding it to their advantage to provide other commodity services that help use facilities and personnel and maintain closer membership contacts during the seasons of the year when seed processing and marketing activities are dormant.

These and other characteristics peculiar to seed production and marketing are mainly responsible for the present status of cooperative seed marketing operations. Where conditions are the most favorable for production of high quality seed we have a few cooperatives organized primarily to market seed. These are the specialized seed marketing cooperatives. They nearly always process and distribute seed directly to wholesale buyers. Most of them use the pool method of marketing - some exclusively. Others give the producer his choice of pooling or accepting the current competitive cash market price. However, they usually encourage the grower to pool his seed, as their past experience indicates the price per pound on final settlements of a pool averages higher for the grower at less speculative risk to the association.

Most of those associations marketing alfalfa and clover seed provide a custom cleaning service and also other commodity services such as purchasing farm production supplies. Although there are associations marketing such crops as onion sets, cottonseed, Kentucky bluegrass, seed potatoes, and seed peas.

Marketing agreements are usually made between the cooperative and the grower. A few of these associations have programs that help the grower produce superior seed for market. Crites-Moscow Growers, Inc., have an excellent program of research, plant breeding, and closely supervised production to provide the kind of seed wanted by the canning and freezing trade. The seed potato cooperatives make a special effort to get foundation seed of the highest quality for their growers. At least two of them have a program to produce their own stock where they grow foundation seed under the best conditions of isolation and disease control. Those cooperatives that give careful attention to all practical means of helping the grower produce high quality seed usually have the most successful operation. Seed processing is another highly important means of improving seed utility value. It is the only method used by many of the associations.

Members and total volume of business of specialized associations are comparable to the larger local cooperatives. However, the territory served by specialized seed marketing cooperatives is usually larger. Working capital requirements are low for the association marketing on a pool basis. Associations that provide other commodity services carry more inventories and accounts receivable, and therefore, have higher working

capital requirements. Moderate savings from operations have been possible rather consistently and as a result their financial condition is good.

Less than 10 percent of the local cooperatives located in consistently heavy surplus seed producing territories are doing a good job of processing and marketing. They are rarely able to specialize in either processing or merchandising to the extent ordinarily practiced by the specialized seed marketing associations. An estimated additional 50 percent of the locals are equipped with air-screen cleaners with which they can do the basic cleaning operation. The other 40 percent do not attempt any cleaning or processing. Actually their only service is assembling seed and selling it in the rough to a processor. Volume of seed to be marketed by most of these locals does not justify the specialization and attention necessary for the most effective service.

The only way farmers served by these locals can receive the benefit of effective cooperative seed processing, warehousing, and merchandising services is for the local to secure them from a regional cooperative. The aggregate volume of seed business of a number of locals served by a regional cooperative is usually large enough to justify machinery, equipment, and personnel necessary for an effective seed marketing service.

The four regionals now marketing seed also provide a seed purchasing service in their seed department. They are all well equipped from the viewpoint of personnel, physical equipment, and facilities to do an excellent job of processing and marketing. They use most of the operating practices and policies previously mentioned in connection with specialized seed marketing associations. Regionals also provide helpful educational information to member cooperatives and their grower members.

Under existing conditions of seed production, increased participation by regional cooperatives in a seed marketing service appears to be the most effective method of improving the general level of cooperative seed service in the United States. Cooperative seed marketing services have the opportunity to contribute substantially to better crop production, as they improve their marketing service. They can do this by correct grading and processing, and by using all practical methods to help their growers produce seed which will be of the greatest usefulness to the farmer buying seed.

Form - N F - 8

TRIPPLICATE

Northern Farmers Co-op. Exchange

Williams, Minn.
Phone 2F55

Thief River Falls, Minn.
Phone 225

Baudette, Minn.
Phone 156

Receiving Ticket

Patron No. _____ Date _____ 194_____

Name _____

Address _____

Received By	Tested By	Bags		Check No.	Dump Ticket No.
		Pur.	Exch.		

No. _____ Kind of Seed _____ Remarks: _____
Gross Weight _____
Bag Weight _____
Net Weight _____

— Test —

Percent	Grade	Kind	Weight	Advance	Amount	P. J.	
						Lbs.	\$
		Dockage					
		Sub - Total -					
		Bags Purchased -					
		Total -					

By _____ Lot No. _____

☐ PLATPATR PATENT NO. 1,311,179—FARMERS PUBLISHING CO., BALEY, MINN.

Western Montana Cooperative Seed Growers' Association, Inc. CHARLO, MONTANA

Journal

Warehouse

Service book

Bag record

Copy to grower

SEED CLEANING REPORT

Date

Grower's Name

Grower's Lot No.

Commodity

No. Bags: Seamless Burlap Light Cotton

New

Old

Gross Weight

MACHINES	WEIGHT	RE-RUNS	COST
Clipper			
Grader			
Rice			
Spiral			
Buck Horn			
No. of our Bags Used			Total

GRADES	NO. BAGS	WEIGHT	CONTENTS (WEEDS)
Best			
Medium			
Low			
Empty Bags			
Screenings			
Tailings from Cloth			

Invisible Shrink

Tota/s

NOTE:—Screenings placed in growers' bags and held for 15 days and no longer, after which they will be disposed of and bags held for owner.

Glasgow, Montana, _____, 194 .

Mr. _____

Dear Sir:

Enclosed find check for \$ _____ as _____ payment on
your alfalfa seed, minus charges as per following statement:

lbs. Blue Label @_____	c per lb. \$_____
lbs. Red Label @_____	c per lb. \$_____
lbs. Yellow Label @_____	c per lb. \$_____
lbs. Affidavit @_____	c per lb. \$_____
lbs. Common @_____	c per lb. \$_____
Salable screenings @_____	\$_____
Total	\$_____
Cleaning charges	\$_____
Bag Charge	\$_____
Membership	\$_____
State sealing fees	\$_____
Miscellaneous	\$_____
Total charges	\$_____
Previous payments	\$_____
Total	\$_____
Net payment	\$_____

Very truly yours,

Northern Montana Seed Growers Ass'n.

By _____, Manager

(Report all errors within ten days.)

Northern Montana Seed Growers Association

GLASGOW, MONTANA

NAME _____

ACCOUNT No. _____

ADDRESS _____

VARIETY _____

DELIVERY RECORD

Date	Bags	Number	Weight	Total
------	------	--------	--------	-------

CLIPPER CLEANING RECORD

Date	Bags	Number	Weight	Total
------	------	--------	--------	-------

GRAVITY CLEANING RECORD

Date	Bags	Number	Weight	Total
------	------	--------	--------	-------

CLEANING AND HANDLING CHARGES

Pounds	Date	Number	Charges	Credits	Total
--------	------	--------	---------	---------	-------

CODE

BC—Bags.	FT—Freight.
CC—Clipper Cleaned.	WP—Warehouse fund.
PL—Pool.	CS—Clean seed.
GC—Gravity cleaned.	WS—Waste screenings.
SS—Saleable screenings or state seedling fee.	

AGREEMENT

THIS AGREEMENT made between the Western Montana Cooperative Seed Growers' Association, incorporated of Charlo, Montana, hereinafter called the "Association" and the undersigned, hereinafter called the "producer",

Witnesseth:

(1) The Association buys and the producer sells to the Association.....

(2) The Association agrees to sell the above described produce, either in the natural or processed state, together with the products delivered by other producers and to pay over ratably, the net amount received therefrom as payment in full to the producer, after making deductions to cover (a) advances, (b) interest upon advances, (c) storage, (d) processing, and (e) sales commission for preparing, selling, and marketing said products, the same to be at the regular schedule of fees of the Association.

(3) The Association agrees to keep the produce, delivered to the plant by the producer, covered by fire insurance equal to the market value of the produce in whatever condition it is at time of fire. The above produce is insured for.....cents per pound as received, or cents per pound cleaned.

(4) The Association shall have the right to sell, borrow money, and give transfer or give lien upon the products, as the absolute owner thereof together with other products.

(5) The Association within the discretion of the Board of Directors, is authorized to establish from time to time daily, weekly, monthly, or seasonable pools of the agricultural products marketed by it of same variety and grade and all producers having such products in the particular pool shall share ratably and in that amount received therefrom.

(6) Any loss that the Association may suffer because of inferior or damaged condition of products at the time of delivery, shall be charged against the producer individually.

(7) The Association shall have a right to establish, to adopt, and have a standard for such products and shall make rules and regulations regarding the shipping thereof and shall have provided, inspectors to grade the products as required by law and the products shall be bound by such rules and regulations and by the grades determined by the state authorities.

(8) If there is any lien on the products delivered hereunder, the producer authorizes the Association to pay the holder of such lien from the proceeds derived from the sale after deducting the charges above mentioned before any payment is made to the producer hereunder.

(9) The producer reserves the right to withdraw from the produce sold herein, at any time before the sale or pool, pounds for his private use.

(10) That the produce covered by this Agreement was raised during the season of 19..... upon the following described land: Section Township Range, Montana.

(11) The parties agree that there are no oral or other conditions, promises, covenants, representations or inducements in addition to or at variance with any of the terms hereof; and that this agreement represents the voluntary and clear understanding of both parties fully and completely.

Read, considered, and signed at Charlo, Montana, this day of 19

.....
Producer

Address:
Town County State

Accepted this day of 19.....

.....
Association

By.....

ORIGINAL

CO-OPERATIVE SEED MARKETING AGREEMENT

It is hereby mutually agreed between the Michigan Certified Seed Potato Growers' Association, a corporation organized under the laws of Michigan, with its principal place of business at Cadillac, hereinafter called the Association, and.....

..... of hereinafter called the Grower, as follows:

1. The Grower is a member of the Association. This agreement is one of a series generally similar in terms which the Association is making with other Michigan growers of certified seed potatoes; the general purposes and objects of which are to provide for the encouragement of the economic production, furnish necessary inspection and to co-operatively market certified seed potatoes in the interest of the growers and the public.

2. The Association agrees to buy and the Grower agrees to sell and deliver upon the terms and conditions herein set forth, subject to the directions of the Association, all certified seed potatoes produced by or for the Grower in Michigan during the year 19....., and continuously each and every year thereafter until this agreement shall be duly cancelled by either of the parties hereto in the manner herein specified and not otherwise, except such certified seed potatoes as the Grower may reserve for seed and family use or for sale at retail locally for immediate local consumption on the following terms and conditions:

(a) Deliveries. All such certified seed potatoes shall be delivered by the grower to the Association at such place, plant, warehouse or shipping station and at such times and in such quantities as the Association may from time to time direct, and when shipped, such shipments shall be made as directed by the Association, and which shipments shall be f. o. b. point of shipment; that if warehouse receipts or bills of lading issued, or may issue upon delivery of such potatoes by the Grower, such shall be taken by the Grower in the name of the Association and forthwith delivered to the Association; and the Association for all purposes of determining the pool hereinafter provided for, may designate such warehouses or other places of storage as it may deem advisable for the storing of certified seed potatoes, and warehouses or other places of storage so designated shall be considered as accredited warehouses or places of storage. It is agreed that the Grower, when directed by the Association, shall retain and store such certified seed potatoes, as shall be subject to this contract, at his farm or otherwise, and which certified seed potatoes, so stored by the Grower aforesaid, may be included by the Association in its determination of any pool, provided that only such potatoes as actually pass final inspection for certification as herein provided for, and actually do meet such requirements, shall be deemed delivered to and accepted by the Association; that in order to prevent confusion or mistakes, all provisions for storage shall be under the control and direction of the Association, and reports shall be made by the Grower to the Association as directed from time to time on such forms as may be provided by the Association. All expenses of storage and delivery shall be borne by the Grower, which expenses shall include shrinkage, storage costs, grading, handling and all expenses incident upon the preparation for and delivery of potatoes upon cars or other conveyance for shipment. Final settlement to the Grower for potatoes entered in any pool shall be based upon the number of bushels of potatoes which shall actually grade as certified seed when placed on board cars or other conveyance for shipment.

(b) Inspection and Grading. The inspection of said potatoes for the purpose of determining relative freedom of disease, quality and general suitability thereof for sale as certified seed and the method and manner of grading, handling, storing and shipping shall be made by the Crop Improvement Association or such other person, persons or organization (corporate or otherwise) as the Board of Directors of the Association may from time to time decide upon, provided that all inspections and grading shall be in accordance with the rules and regulations of the Michigan State College inspection service and such further inspection as the Board of Directors of the Association may decide upon as hereinbefore stated. It is agreed that such potatoes as satisfactorily pass such inspection and actually conform to the requirements for certification as established by the rules and regulations of Michigan State College and the Board of Directors of the Association, as aforesaid, shall be accepted by the Association when delivered to it, on board cars or other conveyance, at the time and place herein stated; but for such potatoes as fail to pass inspection as to quality, certification and grade as herein provided for, shall not be covered nor governed by this agreement and the Association assumes no responsibility for disposition of same. The Grower agrees to observe and perform any rules and regulations of the Association pertaining to the inspection, grading and handling of such potatoes, as aforesaid, and the mere receipt by the Association of potatoes delivered to it by the Grower, at warehouse, on board cars or otherwise, shall not be deemed an acceptance, unless such potatoes, when delivered to the Association actually meet the requirements of the certified seed as herein set forth.

(c) Pooling. The Association shall pool the certified seed potatoes of the Grower with certified seed potatoes of a like variety and quality, delivered during the same pool period by other growers, as determined by the Association. The grade and classification as made or determined by the Association shall be conclusive. The Board of Directors of the Association shall determine the number and periods of pools from time to time as in their judgment is for the best interests of the Grower. The Grower shall have the option to put all or any part of his certified seed potatoes in one or more of said pools and any and all potatoes placed in and not sold in any one pool shall automatically pass and be sold in the next succeeding pool.

(d) Title. The Association shall have title to all certified seed potatoes upon delivery to it at the time and in the manner as herein provided.

(e) Resale. The Association agrees to resell such certified seed potatoes, together with certified seed potatoes of a like variety, grade and quality, delivered by other growers under similar contracts, at the best prices obtainable by it under market conditions at the time of resale. Such resale may be made at such times and upon such terms and conditions as the Association may deem profitable, fair and advantageous to the Growers, and may be made directly to dealers or shippers, or to or through any agency, now or hereafter established for the co-operative marketing of potatoes. The Association may resell, in its discretion, certified seed potatoes in the same or different pools in one or more of the ways above specified.

(f) Payment of Net Proceeds. The Association agrees to pay or cause to be paid over to the Grower the amount received by the Association from the resale of such certified seed potatoes, less freight charges, if any, and less the Grower's proportionate share of the cost of handling, grading (if such becomes necessary) and marketing of the certified seed potatoes of the Growers and of other Growers named in contracts similar hereto and as herein provided according to the certified seed potatoes delivered in the same pool period by each of them, and less a reserve for credits and other general purposes (said reserve not to exceed 2% of the gross resale price), said costs and charges in the first instance to be fixed and determined by the Association in its discretion. The amount of such reserve or working capital shall be at all times within the discretion of the Board of Directors, but shall not exceed the sum of Five Thousand Dollars; and no part of such reserve shall be withdrawn by any existing, retiring or withdrawing member, but shall remain with the Association as a working fund for the use of the Association in carrying on business with its members. The annual surplus, if any, arising from such deductions over and above actual costs and said reserve shall be prorated among the Growers delivering potatoes in that year on the basis of the value of deliveries. It being understood and agreed that the net cash proceeds as above set forth of all certified seed potatoes of like variety, quality and grade in any pool shall be divided ratably among the Growers in proportion to their deliveries to such pool, payment to be made from time to time until all accounts in each pool are settled.

3. This agreement and contract may be cancelled by either of the parties hereto on July 1, 19..... and on July 1st of any year thereafter, by delivering during the month of April immediately previous to when such cancellation shall become effective, a notice in writing to that effect.

4. The Association and Michigan Potato Growers Exchange, the Central Agency, or either thereof, by or through whom said certified seed potatoes may be sold, may borrow money in the name of both or either thereof, on said potatoes, whether delivered or undelivered, and pledge by mortgage or otherwise, said potatoes as security therefor, or borrow moneys, as aforesaid, upon any warehouse receipts or bills of lading covering same; and said Association in its discretion shall prorate all or any part of the moneys so received ratably according to deliveries among the growers whose potatoes said money was borrowed or use the same for such corporate purposes as shall seem proper by the Board of Directors. Any sums of money so prorated shall be charged against the Grower individually and shall be deducted from any moneys due or to become due him on the resale of such certified seed potatoes.

5. From time to time the Grower agrees to mail to the Association any statistical data requested on the forms provided for that purpose by the Association.

6. This agreement is one of a series similar in terms comprising with all such agreements signed by individual growers or otherwise, one single contract between the Association and the said Growers mutually and individually and annually obligated under all the terms thereof. The Association shall be deemed to be acting in its own name for all such Growers in any action or legal proceedings on or arising out of this contract.

7. Inasmuch as the remedy at law will be inadequate and it is now and ever will be impracticable and extremely difficult to determine the actual damage resulting to the Association should the Grower fail so to sell and deliver all of his potatoes, the Grower hereby agrees to pay the Association for all certified seed potatoes delivered, sold, consigned, withheld, or marketed by or for him other than in accordance with the terms hereof, the sum of twelve cents per bushel, as liquidated damages for the breach of this contract, all parties agreeing that this contract is one of a series dependent for its true value upon the adherence of each and all of the Growers to each and all of the said contracts. The Grower further agrees that in the event of a threatened or apparent breach by him of any provision regarding delivery of potatoes, the Association shall be entitled to an injunction to prevent breach or further breach hereof and to a decree for specific performance hereof. And it is agreed that this is a contract for the purchase and sale of personal property under special circumstances and conditions and that the Association cannot go into the open market and buy potatoes to replace any which the Grower may fail to deliver.

8. If the Association brings any action either at law or in equity by reason of a breach of this contract by the Grower, the Grower agrees to pay the Association all legal costs, expenses of travel and all other expenses arising out of or caused by such litigation, plus any reasonable attorney fees expended or incurred by the Association in such proceedings. And all such costs and expenses may be included in the judgment.

9. The Association is expressly authorized to exercise any or all of the grading, inspecting, borrowing, marketing or other powers or rights granted hereunder through the Michigan Potato Growers Exchange of Cadillac, Michigan, a corporation organized for co-ordinating the activities of this and similar co-operative marketing associations in Michigan. The Association may enter into any contract with said Michigan Potato Growers Exchange for such purposes. Any cost of maintaining said Central Agency and in the handling or marketing of certified seed potatoes through said Central Agency may be prorated among the Growers on the basis of the gross sale proceeds from the products delivered by them respectively and shall be considered part of the costs and deductions provided for in this agreement. This agreement with the By-laws of the Association, now in force, together with such By-laws or amendments thereto as may hereafter be enacted, shall constitute the contract between the parties hereto and shall be so construed.

10. The parties agree that there are no oral or other conditions, promises, covenants, representations, or inducements in addition to or at variance with any terms hereof and that this agreement represents the voluntary and clear understanding of both parties, fully and completely.

Read, considered and signed at....., Michigan, this.....day of.....19.....

GROWER

P. O. Address.....

Accepted thisday of....., 19.....

MICHIGAN CERTIFIED SEED POTATO GROWERS' ASSOCIATION,

By

CO-OPERATIVE SEED
MARKETING AGREEMENT

between

Michigan

and

MICHIGAN CERTIFIED SEED POTATO
GROWERS ASSOCIATION, INC.

Cadillac, Michigan

**Pacific Supply and Member Association
COOPERATIVE MARKETING AGREEMENT**

AGREEMENT between PACIFIC SUPPLY COOPERATIVE, a cooperative association, organized under the laws of Oregon, with its principal office at Walla Walla, Washington, hereinafter called "PACIFIC", and _____,

a local cooperative association, with its principal office at _____, state of _____, hereinafter called "MEMBER LOCAL UNIT";

WITNESSETH: In consideration of the mutual obligation herein stated, and of expenses incurred or to be incurred by Pacific in providing means and facilities for receiving, handling, storing, fumigating, blending, cleaning, grading, and marketing farm seeds, and of similar obligations undertaken by other Member Local Units of Pacific, it is agreed as follows:

(1) That Member Local Unit agrees to sell and deliver unto Pacific, and Pacific agrees to market all of the farm seed produced or acquired by or for Member Local Unit while this agreement is in effect, except only such seed as may be unmarketable.

(2) That Member Unit agrees to encourage growers to produce and market seed through Member Local Unit, and the undersigned Member Local Unit agrees that all such seed shall be handled through Pacific in accordance with such rules and regulations as the Board of Directors of Pacific may from time to time adopt, and to deliver all seed to Pacific or its order as, when and where Pacific through its representatives shall direct and in a condition acceptable thereto, and conforming to all applicable Federal and State laws and regulations.

Pacific may decline acceptance of any seed not complying with its standards, and its determination of grades and standards shall be conclusive.

(3) Pacific agrees to handle, fumigate, store, blend, clean, grade, or otherwise prepare or cause to be prepared for market, and to use its best endeavors to market, the seed accepted by it from Member Local Unit under this contract, together with seed of like type, grade, and quality delivered by other Member Local Units, at the best prices in its judgment obtainable under market conditions. It is agreed that Pacific may handle, store, process, and sell said seed at such times, places and in such manner, directly or through agents, or otherwise, as it may deem advisable. The net proceeds of all seed marketed, less deductions to cover the cost of operating and maintaining Seed Division of Pacific and its services, and such other deductions or charges for reserves or otherwise as may be authorized by the present or hereafter duly amended By-Laws, rules and regulations of Pacific, shall be distributed ratably among the Member Local Units in proportion to their several deliveries to each seed pool, provided, however in the event Member Local Unit shall process or prepare for market any seed, reasonable allowances shall be given Member Local Unit for any services so performed.

(4) Pacific shall have power to borrow money in its name and on its own account on any seed delivered to it, or on any evidence of such seed or amounts receivable arising therefrom, and pledge the same, as the absolute owner thereof.

(5) On or before April 15th of each year, Member Local Units shall report to Pacific the acreage and varieties of farm seed to be grown by grower-patrons of Member Local Unit, and during the growing season shall supply to Pacific such information concerning seed as Pacific may reasonably request; that Member Local Unit shall furnish unto Pacific duplicate copies of all Seed Marketing Agreements between Member Local Unit and its patrons.

(6) Should any lot of seed be subject to mortgage or lien or other charge at the time it may be received from Member Local Unit, Pacific may take delivery of such seed and apply the returns thereon as they may become available to the discharge of any such mortgage, lien or charge and charge the same to the account of Member Local Unit.

(7) Any liability under this agreement on the part of Pacific shall extend to Member Local Unit and not to patrons of Member Local Unit.

(8) Member Local Unit hereby subscribes for the duration of this agreement for Pacific's official publication and agrees that the regular subscription price for _____ subscriptions therefor may be deducted annually from any remittances becoming due Member Local Unit hereunder.

(9) This agreement shall remain in effect from year to year unless cancelled by mutual agreement; or either party may cancel this agreement by giving written notice of cancellation to the other party and paying all indebtedness due thereto, within _____ months after any anniversary of the date of this agreement; such cancellation to take effect ninety (90) days after service of said notice and payment of such indebtedness. Termination of this agreement shall not affect any of the rights or obligations of either party relative to seed previously delivered to Pacific, or as to any seed delivered during the preceding seasons, or any seed under contract for future delivery or affect in any manner any other contract between Pacific, Member Local Unit or any other Member Local Unit.

(10) That Member Local Unit shall use its facilities and endeavors in an effort to induce growers of seed to become members of Member Local Unit and to market their seed through Member Local Unit and the facilities furnished by Pacific in order to secure seed in volume.

(11) That this agreement shall be subject to and construed in harmony with Articles and By-Laws of Pacific and all amendments thereto.

(12) Because it is impracticable to determine actual damage which may result to Pacific should Member Local Unit fail or refuse to deliver to Pacific all the seed herein agreed to be delivered, Member Local Unit agrees to pay Pacific as liquidated damages for such breach _____ for each pound of seed disposed of or withheld in breach of this agreement; this agreement being one of a series with other Member Local Units of Pacific dependent for its value upon the adherence of each of the contracting parties to each said contract.

(13) That Member Local Unit warrants that it has not heretofore entered into any contract affecting its right to deliver to Pacific all farm seed grown or to be grown by its patrons, except lots of seed specifically referred to on the reverse side of this agreement, which lots of seed shall not be affected by this agreement.

(14) That any advances by Pacific unto Member Local Unit against seed delivered by Member Local Unit to Pacific shall be made at the sole option of Pacific, the amounts of any such advancements to rest in the sole discretion of Pacific; that any advances by Member Local Unit unto individual grower-patrons of Member Local Unit against seed deliveries shall be at the sole risk of Member Local Unit.

(15) That in construing this agreement or any provision hereof, the laws of Washington shall be solely applicable.

Approved and executed by authority of the Boards of Directors of each of the undersigned associations this _____ day of _____, A.D., 194____ at Walla Walla, Washington.

(Member Local Unit)

PACIFIC SUPPLY COOPERATIVE, a corporation.

By _____ (Seal)
As Its President

By _____ (Seal)
As Manager of Seed Division

By _____ (Seal)
As Its Secretary

250-B-143



